

ST. JOSEPH PUBLIC SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2008

ST. JOSEPH PUBLIC SCHOOLS
St. Joseph, Michigan
June 30, 2008

BOARD OF EDUCATION

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Independent Auditor's Report

To the Board of Education of the
St. Joseph Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph Public Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2008, on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 31 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Furthermore, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of St. Joseph Public Schools. The other supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
September 19, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

To the Board of Education of
St. Joseph Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph Public Schools as of and for the year ended June 30, 2008, which collectively comprise St. Joseph Public Schools' basic financial statements and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Joseph Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Joseph Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Joseph Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
September 19, 2008

David Schaffer, CPA
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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133

To the Board of Education of
St. Joseph Public Schools

Compliance

We have audited the compliance of St. Joseph Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. St. Joseph Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of St. Joseph Public Schools' management. Our responsibility is to express an opinion on St. Joseph Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Joseph Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Joseph Public Schools' compliance with those requirements.

In our opinion, St. Joseph Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of St. Joseph Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered St. Joseph Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Schaffer & Layher'.

Schaffer & Layher
September 19, 2008

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St. Joseph Public Schools, a K-12 School District located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34"). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2008 of the management of St. Joseph Public Schools ("the School District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

District Wide Financial Statements

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, and the School Service Funds which are comprised of: Food Service and Athletics Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The School District as Trustee — Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These are excluded activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Private Purpose Trust fund is an unbudgeted fund which is used to provide for general education needs and to pay scholarships for selected high school students. The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Assets

The District had \$16,945,447 and \$14,839,494 in net assets as of June 30, 2008 and 2007. The net assets of the District as of June 30, 2008 and 2007 are summarized in the table below:

Assets:	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and cash equivalents	\$ 5,640,070	\$ 2,691,074
Receivables	3,271,844	3,033,024
Net capital assets	30,661,052	31,633,269
Other assets	415,558	900,091
	<u>\$ 39,988,524</u>	<u>\$ 38,257,458</u>
Liabilities:		
Accounts payable and other accrued liabilities	\$ 1,837,416	\$ 2,002,883
Other obligations	2,321,230	1,777,221
Bonds payable	18,884,431	19,637,860
	<u>\$ 23,043,077</u>	<u>\$ 23,417,964</u>
Net Assets:		
Investment in capital assets - net of related debt	\$ 11,776,621	\$ 11,995,409
Restricted for:		
Debt service	356,464	356,521
Capital projects	1,183,929	1,774,082
Other	113,533	576,491
Unrestricted	3,514,900	136,991
Total Net Assets	<u><u>\$ 16,945,447</u></u>	<u><u>\$ 14,839,494</u></u>

Analysis of Financial Position

During fiscal year ended June 30, 2008, the District's net assets increased by \$2,105,953. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's revenues from General Fund operations exceeded expenditures by \$2,337,898 for the fiscal year ended June 30, 2008. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Debt Payments

The District made principal payments on bonded and note payable, long term debt obligations which reduced the amount of the district's long term liabilities. Principal payments made during the year ended June 30, 2008 totaled \$753,429 and reduced the 2001 School Improvement Bonds, 2005 School Building & Site Bonds and notes payable.

Analysis of Financial Position, Concluded**C. Capital Projects**

The Capital Projects Sinking Fund decreased by \$592,247, primarily due to a transfer of \$1,160,674 to the General Fund. Additionally, current year expenditures were less than the taxes levied in the Capital Projects Sinking fund by approximately \$568,427.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$972,217 during the year. The net activity for the year is summarized in the following table:

	Balance			Balance	
	July 1, 2007	Additions	Deletions	June 30, 2008	
Capital Assets	\$ 44,425,462	\$ 40,073	\$ -	\$ 44,465,535	
Less: accumulated depreciation	(12,792,193)	(1,012,290)	-	(13,804,483)	
Net investment capital outlay	<u>\$ 31,633,269</u>	<u>\$ (972,217)</u>	<u>\$ -</u>	<u>\$ 30,661,052</u>	

This year, the School District's additions of \$40,073 included two mini-vans and a lift system for special needs individuals.

E. Early Retirement Incentive

In the June 30, 2005 fiscal year, the School District approved an early retirement incentive program. As a result, an accrual of \$1,476,335 and related expense was recorded at June 30, 2005. At June 30, 2008, \$0 of the accrual remains and the final installment was paid during the June 30, 2008 school year.

Results of Operations

The District-wide results of operations for the fiscal year ended June 30, 2008 and 2007 is summarized in the table below:

	June 30, 2008	June 30, 2007
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 5,534,495	\$ 4,933,459
Property taxes levied for debt service	1,519,890	1,693,773
Property taxes levied for capital projects	900,970	832,669
State of Michigan unrestricted foundation aid	15,550,758	15,599,528
Other general revenues	323,340	841,132
Total general revenues	\$ 23,829,453	\$ 23,900,561
Operating Grants:		
Federal	\$ 510,635	\$ 495,417
State of Michigan	671,903	821,946
Other operating grants	572,402	565,417
Total operating grants	\$ 1,754,940	\$ 1,882,780
Charges for Services:		
Food service	\$ 745,384	\$ 699,403
Athletics	256,184	280,515
Other charges for services	14,548	46,312
Total charges for services	\$ 1,016,116	\$ 1,026,230
Total revenues	\$ 26,600,509	\$ 26,809,571
Expenses:		
Instruction and instructional support	\$ 13,018,008	\$ 13,704,355
Support services	7,743,692	8,201,207
Community services	149,364	184,289
Food service	961,652	867,767
Athletics	756,299	821,863
Interest on long-term debt	853,251	890,752
Depreciation	1,012,290	1,038,182
Total expenses	\$ 24,494,556	\$ 25,708,415
Change in Net Assets	\$ 2,105,953	\$ 1,101,156
Beginning Net Assets	14,839,494	13,738,338
Ending Net Assets	\$ 16,945,447	\$ 14,839,494

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 75 percent of current year fall count and 25 percent of prior year winter count, and
3. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The St. Joseph Public Schools' net foundation allowance for the fiscal year 2008 was \$7,516 per student. This net amount increased by \$89 over the District's 2006-2007 foundation allowance of \$7,427 per student. The net foundation allowance for the 2008-2009 school year has been announced as \$7,620 by the Michigan Department of Education.

Student Enrollment

The District's student enrollment for the fall count of 2007-2008 was 2,835 students. This figure includes 208 school of choice students. The District's enrollment increased slightly from the prior year's student count. The following summarizes blended student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2007-2008	2,835	14
2006-2007	2,821	5
2005-2006*	2,816	3
2004-2005	2,813	(33)
2003-2004	2,846	(15)

*First year of school of choice resulted in 80 school of choice students

Subsequent to year end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments may increase by about 15 students from 2007-2008, and included in 2008-2009 student enrollments is 251 school of choice students.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies approximately 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2007-2008 fiscal year was \$5,534,495. The non-homestead tax levy increased by 12.2 percent over the prior year.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase from Prior Year</u>
2007-2008	5,534,495	12.2%
2006-2007	4,933,459	7.0%
2005-2006	4,610,040	8.5%
2004-2005	4,245,844	4.6%
2003-2004	4,059,725	2.2%

6.90% Average Increase

C. Debt and Capital Projects Sinking Fund

The District's debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the District.

For 2007-2008, the District's debt millage levy was 1.72 mills that generated a levy of \$1,519,890. The capital projects sinking fund levy was .9972 mills and generated a levy of \$900,970.

D. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased by \$45,981, to \$745,384, from the prior school year. This increase was largely due to meal price increases in 2007-2008 compared to 2006-2007.

The total revenues from Food Service operations exceeded total expenditures for the year by \$72,789.

General Fund Expenditures Budget Vs. Actual—Five Year History

	<u>Expenditures Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Variance: Audit vs. Prelim. Budget</u>	<u>Variance: Audit vs. Final Budget</u>
2007-2008	22,415,000	22,516,690	20,423,944	8.9%	9.3%
2006-2007	23,025,000	23,090,000	23,102,760	(0.34%)	(0.06%)
2005-2006	21,386,489	22,135,000	22,259,556	(4.10%)	(0.56%)
2004-2005	21,762,111	21,819,305	21,963,397	(0.92%)	(0.66%)
2003-2004	20,917,864	21,019,099	20,832,877	0.41%	0.89%
	Five Year Average (Over/-Under) Budget			.79%	1.78%

General Fund Revenues Budget Vs. Actual—Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim. Budget	Variance: Audit vs. Final Budget
2007-2008	21,765,000	22,760,630	22,761,842	4.58%	0.01%
2006-2007	22,100,000	22,290,000	22,347,496	1.11%	0.25%
2005-2006	20,679,364	21,310,000	21,450,873	3.73%	0.66%
2004-2005	20,787,959	20,848,486	20,748,633	(0.19%)	(0.48%)
2003-2004	20,909,644	20,818,541	20,689,496	(1.05%)	(0.62%)
	Five Year Average (Over/-Under) Budget			1.60%	(0.04%)

Original vs. Final Budget

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, St. Joseph Public Schools amends its budget during the school year. For fiscal year June 30, 2008, the budget was amended in December 2007 and June 2008. The June 2008 budget amendment was the final budget for the fiscal year.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office of St. Joseph Public Schools at 3275 Lincoln Avenue, St. Joseph, Michigan.

ST. JOSEPH PUBLIC SCHOOLS**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 5,640,070
Receivables (net of allowance of \$30,000)	14,829
Due from other governmental units	3,257,015
Inventories	16,506
Prepaid expenditures	399,052
Total current assets	<u>\$ 9,327,472</u>
Noncurrent assets:	
Capital assets	\$ 44,465,535
Less: accumulated depreciation	(13,804,483)
Total noncurrent assets	<u>\$ 30,661,052</u>
Total Assets	<u><u>\$ 39,988,524</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 177,380
Accrued payroll and other liabilities	1,660,036
Revenue anticipation notes payable	2,321,230
Notes and bonds payable, due within one year	779,251
Other obligations, due within one year	-
Total current liabilities	<u>\$ 4,937,897</u>
Noncurrent liabilities:	
Notes and bonds payable, due in more than one year	\$ 18,105,180
Other obligations, due in more than one year	-
Total noncurrent liabilities	<u>\$ 18,105,180</u>
Total Liabilities	<u>\$ 23,043,077</u>
Commitments and Contingencies	
Net Assets	
Investment in capital assets - net of related debt	\$ 11,776,621
Restricted for:	
Debt service	356,464
Capital projects	1,183,929
Other	113,533
Unrestricted	3,514,900
Total Net Assets	<u>\$ 16,945,447</u>
Total Liabilities and Net Assets	<u><u>\$ 39,988,524</u></u>

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

JUNE 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government -				
Governmental activities:				
Instruction	\$ 13,018,008	\$ 14,548	\$ 1,135,948	\$ (11,867,512)
Support services	7,743,692	-	335,180	(7,408,512)
Community Services	149,364	-	-	(149,364)
Food services	961,652	745,384	283,812	67,544
Athletics	756,299	256,184	-	(500,115)
Interest on long-term debt	853,251	-	-	(853,251)
Depreciation (unallocated)	1,012,290	-	-	(1,012,290)
	<u>\$ 24,494,556</u>	<u>\$ 1,016,116</u>	<u>\$ 1,754,940</u>	<u>\$ (21,723,500)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 5,534,495
Property taxes, levied for debt purposes				1,519,890
Property taxes, levied for capital project purposes				900,970
State aid not restricted to specific purposes				15,550,758
Interest and investment earnings				246,146
Other				<u>77,194</u>
Total general revenues				<u>\$ 23,829,453</u>
Change in Net Assets				<u>\$ 2,105,953</u>
Net Assets - beginning of year				<u>14,839,494</u>
Net Assets - end of year				<u><u>\$ 16,945,447</u></u>

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
Assets				
Cash and investments	\$ 3,812,397	\$ 1,030,571	\$ 797,102	\$ 5,640,070
Receivables	8,019	1,691	5,119	14,829
Due from other governmental units	3,248,728	-	8,287	3,257,015
Due from other governmental funds	60,000	151,667	35,826	247,493
Due from fiduciary fund	-	-	-	-
Inventories	-	-	16,506	16,506
Prepaid expenditures	92,027	-	5,000	97,027
Total Assets	<u>\$ 7,221,171</u>	<u>\$ 1,183,929</u>	<u>\$ 867,840</u>	<u>\$ 9,272,940</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 166,088	\$ -	\$ 11,292	\$ 177,380
Accrued salaries and withholdings	1,512,005	-	12,808	1,524,813
Revenue anticipation note payable	2,321,230	-	-	2,321,230
Due to other governmental funds	44,945	-	202,548	247,493
Total Liabilities	<u>\$ 4,044,268</u>	<u>\$ -</u>	<u>\$ 226,648</u>	<u>\$ 4,270,916</u>
Fund Balance				
Reserved for inventories	\$ -	\$ -	\$ 16,506	\$ 16,506
Reserved for prepaids	92,027	-	5,000	97,027
Reserved for debt service	-	-	356,464	356,464
Reserved for capital projects	-	1,183,929	-	1,183,929
Board designation	-	-	-	-
Unreserved and undesignated	3,084,876	-	-	3,084,876
Unreserved and undesignated - food service	-	-	173,229	173,229
Unreserved and undesignated - athletics	-	-	89,993	89,993
Total Fund Balance	<u>\$ 3,176,903</u>	<u>\$ 1,183,929</u>	<u>\$ 641,192</u>	<u>\$ 5,002,024</u>
Total Liabilities and Fund Balance	<u>\$ 7,221,171</u>	<u>\$ 1,183,929</u>	<u>\$ 867,840</u>	<u>\$ 9,272,940</u>

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds	\$ 5,002,024
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid interest associated with tax refunding bonds, net of current year expense	302,025
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	44,465,535
Accumulated depreciation	(13,804,483)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(18,884,431)
Accrued severance pay	-
Accrued interest payable is not included as a liability in governmental activities	(135,223)
Total net assets - Governmental activities	<u>\$ 16,945,447</u>

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects Sinking Fund	Other Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 5,534,495	\$ 900,970	\$ 1,519,890	\$ 7,955,355
Local sources	91,741	-	1,001,568	1,093,309
State sources	16,222,658	-	44,603	16,267,261
Federal sources	271,426	-	239,209	510,635
Interdistrict sources	527,799	-	-	527,799
Earnings on investments	113,723	78,072	54,351	246,146
Total Revenues	\$ 22,761,842	\$ 979,042	\$ 2,859,621	\$ 26,600,505
Expenditures				
Current:				
Instruction and Instructional support services	\$ 13,453,497	\$ -	\$ -	\$ 13,453,497
Supporting services	7,335,171	408,521	1,717,951	9,461,643
Community services	149,364	-	-	149,364
Debt service				
Principal on long-term debt	23,429	-	730,000	753,429
Interest on long-term debt	2,320	-	833,760	836,080
Capital outlay	40,073	-	-	40,073
Intergovernmental payments	56,187	-	-	56,187
Total Expenditures	\$ 21,060,041	\$ 408,521	\$ 3,281,711	\$ 24,750,273
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,701,801	\$ 570,521	\$ (422,090)	\$ 1,850,232
Other Financing Sources (Uses)				
Operating transfers in	\$ 1,160,674	\$ -	\$ 524,577	\$ 1,685,251
Operating transfers out	(524,577)	(1,160,674)	-	(1,685,251)
Total Other Financing Sources (Uses)	\$ 636,097	\$ (1,160,674)	\$ 524,577	\$ -
Net Change in Fund Balances	\$ 2,337,898	\$ (590,153)	\$ 102,487	\$ 1,850,232
Fund Balances - Beginning of year	839,005	1,774,082	538,705	3,151,792
Fund Balances - End of year	\$ 3,176,903	\$ 1,183,929	\$ 641,192	\$ 5,002,024

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 1,850,232
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,012,290)
Capital outlay	<u>40,073</u>
Total	\$ (972,217)
Accrued interest is recorded in the statement of activities when incurred: it is not reported in governmental funds until paid	4,408
Decreases in severance pay are reported as expenditures as financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	491,676
Prepaid interest associated with advance refunding bonds	(21,575)
Repayment of bond and note payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>753,429</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,105,953</u>

See accompanying notes to the financial statements.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENTS OF FIDUCIARY NET ASSETS AND CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

Statement of Fiduciary Net Assets**As of June 30, 2008**

	Private-Purpose Trusts			Agency Fund-
	Scholarship Fund	4th R Fund	Total	Student Activities
Assets:				
Cash and cash equivalents	\$ 55,609	\$ 15,989	\$ 71,598	\$ 160,869
Certificate of deposit	-	377,325	377,325	-
Total assets	<u>\$ 55,609</u>	<u>\$ 393,314</u>	<u>\$ 448,923</u>	<u>\$ 160,869</u>
Liabilities:				
Due to student groups	\$ -	\$ -	\$ -	\$ 160,869
Due to general fund	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,869</u>
Net Assets:				
Reserved for scholarships	\$ 55,609	\$ -	\$ 55,609	
Reserved for educational purpose	-	393,314	393,314	
Total net assets	<u>\$ 55,609</u>	<u>\$ 393,314</u>	<u>\$ 448,923</u>	
Total liabilities and net assets	<u>\$ 55,609</u>	<u>\$ 393,314</u>	<u>\$ 448,923</u>	

Statement of Changes in Fiduciary Net Assets**As of June 30, 2008**

	Private-Purpose Trusts		
	Scholarship Fund	4th R Fund	Total
Additions:			
Interest	\$ 1,791	\$ 16,333	\$ 18,124
Donation	2,630	-	2,630
Deductions:			
Grants awarded	-	-	-
Scholarships awarded	(1,000)	-	(1,000)
Change in net assets	<u>\$ 3,421</u>	<u>\$ 16,333</u>	<u>\$ 19,754</u>
Net Assets-Beginning	<u>52,188</u>	<u>376,981</u>	<u>429,169</u>
Net Assets-Ending	<u>\$ 55,609</u>	<u>\$ 393,314</u>	<u>\$ 448,923</u>

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Joseph Public Schools (the “School District”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District Wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements — The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Statements (concluded) — Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The Capital Projects Sinking Fund is the fund that accounts for the use of building and site fund taxes and other revenues collected for the purpose of repairing and maintaining school property.

Additionally, the School District reports the following fund types:

2001 School Improvement Bonds (Capital Projects) is the fund that accounts for the expenditures to build school improvements used with the proceeds of the bond issue the District's voters approved in 2001.

The School Service Funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic and Food Services Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Debt Service Funds are the funds used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents. The School District also maintains a Scholarship Fund and 4th R Fund to provide for general education needs and pay scholarships for selected high school students. These scholarships are paid from the principal and investment earnings of the fund, and are treated as private-purpose trusts.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables — In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For St. Joseph Public Schools, taxpayers in the city of St. Joseph and St. Joseph, Royalton, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used.

Prepaid Items — Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets — Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

Compensated Absences — Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

Long-Term Obligations — In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity — In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data — Comparative data is not included in the District's financial statements.

Estimates — The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for major funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds — The School District had expenditures that exceeded appropriations in the following budgeted functions:

Instruction – Added Needs	\$ 4,638
Supporting Services – School Administration	3,012
Intergovernmental Payments	9,687
Operating Transfers Out	86,851

Funds sufficient to provide for excess expenditures were made available from other functions in the fund, and the excess had no impact on the financial results of the District.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2008, the School District deposits and investments include the following:

	Balance Sheet Classification			
	Cash and Cash			
	Equivalents	Investments	Fiduciary Funds	Total
Deposits	\$ 4,635,650	\$ -	\$ 609,792	\$ 5,245,442
Investments	1,004,420	-	-	1,004,420
	<u>\$ 5,640,070</u>	<u>\$ -</u>	<u>\$ 609,792</u>	<u>\$ 6,249,862</u>

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$6,592,317 of the School District's bank balance of \$6,692,500 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Current	1 - 5 years	Investment Maturities	
				6 - 10 years	More than 10
Investment Pools	<u>\$ 1,004,420</u>	<u>\$ 1,004,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

NOTE 3. DEPOSITS AND INVESTMENTS, (CONCLUDED)

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). As of June 30, 2008, the School District’s investment in the investment pool was rated AAAm by Standard’s & Poor.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District’s investments are in investment pools which represent 100% of the School District’s total investments.

Custodial Credit Risk—Investments: For an investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in the investment pool of \$1,004,420, the School District has a custodial credit risk exposure of \$1,004,420, because the related securities are uninsured, unregistered, and held by the School District’s brokerage firm which is also the counterparty for these particular securities.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Other Funds	Total
Receivables:			
Intergovernmental	\$ 3,248,728	\$ 8,287	\$ 3,257,015
Trade	8,019	6,810	14,829
	<u>\$ 3,256,747</u>	<u>\$ 15,097</u>	<u>\$ 3,271,844</u>

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Other Funds	Total
Payables:			
Trade	\$ 166,088	\$ 11,292	\$ 177,380
	<u>\$ 166,088</u>	<u>\$ 11,292</u>	<u>\$ 177,380</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 606,700	\$ -	\$ -	\$ 606,700
Capital assets being depreciated:				
Building and building improvements	\$ 40,612,198	\$ -	\$ -	\$ 40,612,198
Land improvements	707,220	-	-	707,220
Buses and other vehicles	1,361,480		-	1,361,480
Furniture and equipment	1,137,864	40,073	-	1,177,937
Subtotal	\$ 43,818,762	\$ 40,073	\$ -	\$ 43,858,835
Accumulated depreciation:				
Building and building improvements	\$ 10,586,322	\$ 805,511	\$ -	\$ 11,391,833
Land improvements	371,648	48,415	-	420,063
Buses and other vehicles	1,171,744	60,848	-	1,232,592
Furniture and equipment	662,479	97,516	-	759,995
Subtotal	\$ 12,792,193	\$ 1,012,290	\$ -	\$ 13,804,483
Net capital assets being depreciated	\$ 31,026,569			\$ 30,054,352
Net capital assets	\$ 31,633,269			\$ 30,661,052

Depreciation expense of \$1,012,290 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The general fund transfers monies to the athletic fund to subsidize athletic activities.

The composition of interfund balances is as follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 44,945
Other Governmental Funds	Other Governmental Funds	\$ 142,548
General Fund	Other Governmental Funds	\$ 60,000
Interfund Transfers:		
Transfer In:	Transfer Out:	Amount
General Fund	Other Governmental Funds	\$ 1,160,674
Other Governmental Funds	General Fund	\$ 524,577

NOTE 7. REVENUE ANTICIPATION NOTES

At June 30, 2008, the School District has outstanding a \$2,250,000 revenue anticipation note (state-aid note), including accrued interest of \$71,230 at June 30, 2008. The note has an interest rate of 3.68%, and matures August 20, 2008. The payment was withdrawn from the School District's August 20, 2008 state aid payment. The note is secured by the full faith and credit of the School District, as well as pledged State Aid.

NOTE 8. LONG-TERM DEBT

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 19,565,000	\$ -	\$ (730,000)	\$ 18,835,000	\$ 755,000
Note Payable	72,860	-	(23,429)	49,431	24,251
Bonds	<u>\$ 19,637,860</u>	<u>\$ -</u>	<u>\$ (753,429)</u>	<u>\$ 18,884,431</u>	<u>\$ 779,251</u>
Severance Pay Contract	\$ 491,676	-	(491,676)	-	-
Total Long-Term Debt Worth	<u>\$ 20,129,536</u>	<u>\$ -</u>	<u>\$ (1,245,105)</u>	<u>\$ 18,884,431</u>	<u>\$ 779,251</u>

Annual debt service requirements to maturity for the above Governmental bond and note obligations are as follows:

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2009	779,251	812,833	1,592,084
2010	810,180	782,089	1,592,269
2011	820,000	750,338	1,570,338
2012	850,000	717,712	1,567,712
2013	885,000	682,665	1,567,665
2014-2018	5,005,000	2,825,690	7,830,690
2019-2023	5,810,000	1,752,750	7,562,750
2024-2026	<u>3,925,000</u>	<u>395,000</u>	<u>4,320,000</u>
	<u>\$ 18,884,431</u>	<u>\$ 8,719,077</u>	<u>\$ 27,603,508</u>

Interest expense of \$853,251 was not charged to activities as the School District considers its debt and related assets to impact multiple activities and allocation was not practical.

NOTE 8. LONG-TERM DEBT, (CONCLUDED)

Advance Refunding – The School District has defeased certain unlimited tax school improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for defeased bonds are not included in the School District's financial statements. As of June 30, 2008, \$8,845,000 of bonds considered defeased are still outstanding.

The District issued \$8,905,000 of unlimited tax refunding bonds plus premium on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$32,145,187 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$35,482. This amount is being netted against the refunding debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next seventeen (17) years by \$1,019,805 and resulted in an economic gain of \$778,196.

Governmental Activities:

General obligation bonds consist of:

\$22,455,000-2001 School Building and Site Bonds (general obligation-unlimited tax); payable in annual installments of \$290,000 to \$1,325,000 beginning 5/1/02 through 5/1/26; interest at 2.7% to 5.00%	\$ 9,990,000
\$8,905,000 2005 Refunding Bonds; payable in annual installments of \$30,000 to \$1,160,000 beginning 5/1/07 through 5/1/2022; interest at 3.0% to 4.0%	8,845,000
\$545,000-2005 School Building and Site Bonds (general obligation-limited tax); payable in installments of \$270,000 in 2006 and \$275,000 in 2007; interest at 3.10% to 3.20%	-
	<u>\$ 18,835,000</u>

Notes payable consists of:

\$138,480-Notes payable to Horizon Bank (general obligation-limited tax); payable in semi-annual installments of \$12,874 beginning 11/21/04 through 5/21/10; interest at 3.45%	<u>\$ 49,431</u>
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NOTE 9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$2,219,216, \$2,333,454 and \$2,084,338, respectively.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

NOTE 11. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES

The Berrien County Treasurer's office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The St. Joseph Public Schools has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes.

Accordingly, a provision for uncollectible real property taxes has been established to provide for such a repayment to the County.

NOTE 12. OTHER BENEFITS

In addition to the pension benefits described in Note 10, the School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred “buy-in” program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee’s contribution was calculated based on the previous year’s salary and age.

NOTE 13. FOUNDATION

The School District has established a Foundation that has a 501(c)(3) status with the Internal Revenue Service.

NOTE 14. CAPITAL PROJECTS SINKING FUND

Pursuant to Public Act 451 of 1976, as amended, the School District has levied a sinking fund tax which must comply with §1212 of the School Code and the interpretations of the Department of Treasury. The sinking fund tax was approved by the school electors for 1 mill for five years beginning with the 2001 calendar year. This sinking fund tax was renewed by the school electors for ten additional years beginning with the 2006 calendar year. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE 15. RECONCILIATION WITH R7120

The following reconciles the current year federal revenues reported with the R7120:

	Amount
Federal Sources per General Fund	\$ 271,426
Federal Sources per School Service Fund	239,209
	<u>\$ 510,635</u>
 Federal deferred revenue recognized in current year	 (53,500)
Items passed through B.C.I.S.D.	(12,641)
Food distribution commodities	(57,661)
Federal revenue in current year accounts receivable	152,189
Current year receipts reported on the R7120	<u><u>\$ 539,022</u></u>

NOTE 16. OPERATING LEASES

The School District leases copiers under operating leases. These leases were entered into in September 2005 and April 2008. Rent expense was \$44,903 for the fiscal year ended June 30, 2008. Future minimum rentals are as follows: 6/30/09 - \$45,221; 6/30/10 - \$45,221; 6/30/11 - \$8,597; 6/30/12 - \$1,272; 6/30/13 - \$318.

The School District is leasing office space under an operating lease commencing September 1, 2005 and expiring August 31, 2012. Rent of \$125,000 was paid in advance at closing of the sale of North Lincoln School to the St. Joseph Lincoln Senior Citizen Center. Rent expense will be recognized ratably over the term of the lease.

NOTE 17. SUBSEQUENT EVENT

In August 2008, the School District received the proceeds of a \$1,500,000 State of Michigan (state) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity August 20, 2009, and bears interest at the rate of 1.70 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit and resources of the School District.

**REQUIRED SUPPLEMENTAL
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 5,048,500	\$ 5,506,700	\$ 5,534,495
Local sources	-	115,000	91,741
State sources	15,879,800	16,169,500	16,222,658
Federal sources	232,500	341,630	271,426
Interdistrict sources	504,200	527,800	527,799
Earnings on investments	100,000	100,000	113,723
Total Revenues	\$ 21,765,000	\$ 22,760,630	\$ 22,761,842
Expenditures - Current			
Instruction:			
Basic programs	\$ 11,711,500	\$ 11,864,924	\$ 11,286,526
Added needs	2,074,900	2,160,688	2,165,326
Supporting services:			
Pupil	1,039,400	1,057,022	1,021,625
Instructional staff	1,212,550	1,296,200	1,158,668
General administration	391,200	308,200	251,450
School administration	1,169,050	1,220,450	1,223,462
Business services	637,700	562,750	534,563
Operations and maintenance	2,611,500	2,544,257	2,404,180
Transportation	814,900	756,550	741,223
Community services	227,300	205,600	151,009
Debt service	25,750	25,750	25,749
Capital outlay	-	40,073	40,073
Intergovernmental payments	-	46,500	56,187
Total Expenditures	\$ 21,915,750	\$ 22,088,964	\$ 21,060,041
Deficiency of Revenues under Expenditures	\$ (150,750)	\$ 671,666	\$ 1,701,801
Other Financing Sources (Uses)			
Proceeds from Loans	\$ -	\$ -	\$ -
Operating transfers in	-	10,000	1,160,674
Operating transfers out	(499,250)	(437,726)	(524,577)
Total other financing sources (uses)	\$ (499,250)	\$ (427,726)	\$ 636,097
Net Change in Fund Balances	\$ (650,000)	\$ 243,940	\$ 2,337,898
Fund Balances - Beginning of year	839,005	839,005	839,005
Fund Balances - End of year	\$ 189,005	\$ 1,082,945	\$ 3,176,903

**OTHER SUPPLEMENTAL
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2008**

	Athletics Fund	Food Services Fund	2001 School Building & Site Bonds - Debt Service Fund	Total Non-Major Governmental Funds
Assets				
Cash and investments	\$ 172,529	\$ 127,378	\$ 497,195	\$ 797,102
Receivables	-	5,119	-	5,119
Due from other governmental units	-	8,287	-	8,287
Due from other governmental funds	-	34,009	1,817	35,826
Inventories	-	16,506	-	16,506
Prepaid expenditures	-	5,000	-	5,000
Total Assets	\$ 172,529	\$ 196,299	\$ 499,012	\$ 867,840
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,728	\$ 1,564	\$ -	\$ 11,292
Accrued salaries and withholdings	12,808	-	-	12,808
Due to other governmental funds	60,000	-	142,548	202,548
Total Liabilities	\$ 82,536	\$ 1,564	\$ 142,548	\$ 226,648
Fund Balance				
Reserved for inventories	\$ -	\$ 16,506	\$ -	\$ 16,506
Reserved for prepaids	-	5,000	-	5,000
Reserved for debt service	-	-	356,464	356,464
Reserved for capital projects	-	-	-	-
Unreserved and undesignated	-	-	-	-
Unreserved and undesignated - food service	-	173,229	-	173,229
Unreserved and undesignated - athletics	89,993	-	-	89,993
Total Fund Balance	\$ 89,993	\$ 194,735	\$ 356,464	\$ 641,192
Total Liabilities and Fund Balance	\$ 172,529	\$ 196,299	\$ 499,012	\$ 867,840

ST. JOSEPH PUBLIC SCHOOLS

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Athletics Fund	Food Services Fund	2001 School Building & Site Bonds - Debt Service Fund	Total Non-Major Governmental Funds
Revenues				
Property taxes	\$ -	\$ -	\$ 1,519,890	\$ 1,519,890
Local sources	256,184	745,384	-	1,001,568
State sources	-	44,603	-	44,603
Federal sources	-	239,209	-	239,209
Interdistrict sources	-	-	-	-
Earnings on investments	5,793	4,745	43,813	54,351
Total Revenues	\$ 261,977	\$ 1,033,941	\$ 1,563,703	\$ 2,859,621
Expenditures				
Current:				
Instruction and Instructional support services	\$ -	\$ -	\$ -	\$ -
Supporting services	756,299	961,652	-	1,717,951
Community services	-	-	-	-
Debt service	-	-	1,563,760	1,563,760
Capital outlay	-	-	-	-
Intergovernmental payments	-	-	-	-
Total Expenditures	\$ 756,299	\$ 961,652	\$ 1,563,760	\$ 3,281,711
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (494,322)	\$ 72,289	\$ (57)	\$ (422,090)
Other Financing Sources (Uses)				
Operating transfers in	\$ 524,577	\$ -	\$ -	\$ 524,577
Refunding bonds issued	-	-	-	-
Bond premiums	-	-	-	-
Proceeds from the issuance of bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 524,577	\$ -	\$ -	\$ 524,577
Net Change in Fund Balances	\$ 30,255	\$ 72,289	\$ (57)	\$ 102,487
Fund Balances - Beginning of year	59,738	122,446	356,521	538,705
Fund Balances - End of year	\$ 89,993	\$ 194,735	\$ 356,464	\$ 641,192

**SINGLE AUDIT
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A. #	Source Code and Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2008	Adjustments
U.S. Department of Education									
<i>Passed through Michigan Department of Education:</i>									
Title I-Grants to Local Education Agencies	84.010	081530 0708	\$ 172,260	\$ -	\$ -	\$ 146,689	\$ (93,733)	\$ 52,956	\$ -
Title I-Grants to Local Education Agencies	84.010	071530 0607	119,995	119,995	-	-	(119,995)	-	-
Subtotal			\$ 292,255	\$ 119,995	\$ -	\$ 146,689	\$ (213,728)	\$ 52,956	\$ -
Title V-LEA Allocation	84.298	080250 0708	\$ 573	\$ -	\$ -	\$ 573	\$ -	\$ 573	\$ -
Title V-LEA Allocations	84.298	070250 0607	574	574	-	-	(574)	-	-
Title V-LEA Allocations	84.298	060250 0607	442	442	-	-	(442)	-	-
Subtotal			\$ 1,589	\$ 1,016	\$ -	\$ 573	\$ (1,016)	\$ 573	\$ -
Technology Literacy Challenge Grants	84.318	084290 0708	\$ 1,619	\$ -	\$ -	\$ 1,619	\$ (1,019)	\$ 600	\$ -
Technology Literacy Challenge Grants	84.318	074290 0607	1,232	1,232	-	-	(1,232)	-	-
Technology Literacy Challenge Grants	84.318	064290 0607	2,239	2,239	-	-	(2,239)	-	-
Subtotal			\$ 5,090	\$ 3,471	\$ -	\$ 1,619	\$ (4,490)	\$ 600	\$ -
Safe & Drug Free School	84.186	082860 0708	\$ 9,489	\$ -	\$ -	\$ 9,489	\$ -	\$ 9,489	\$ -
Title II A-Improving Teacher Quality	84.367	080520 0708	\$ 92,989	\$ -	\$ -	\$ 92,775	\$ (46,131)	\$ 46,644	\$ -
Title II A-Improving Teacher Quality	84.367	070520 0607	92,109	92,109	-	-	(92,109)	-	-
Subtotal			\$ 185,098	\$ 92,109	\$ -	\$ 92,775	\$ (138,240)	\$ 46,644	\$ -
Subtotal passed through Michigan Department of Education			\$ 493,521	\$ 216,591	\$ -	\$ 251,145	\$ (357,474)	\$ 110,262	\$ -
<i>Passed through Berrien County Intermediate School District</i>									
Medicaid Outreach Claims	93.778	2000	\$ -	\$ 45,860	\$ -	\$ (45,860)	\$ -	\$ -	\$ -
Technology Literacy Challenge Grants	84.318	2005	\$ 214,000	\$ (53,500)	\$ -	\$ 53,500	\$ -	\$ -	\$ -
Mathematics and Science Partnerships	84.366	2008	\$ 520	\$ -	\$ -	\$ 520	\$ (520)	\$ -	\$ -
Vocational Education-Perkins II	84.048	2008	\$ 11,178	\$ -	\$ -	\$ 11,178	\$ (11,178)	\$ -	\$ -
Special Education_Grants to State	84.027	2008	\$ 943	\$ -	\$ -	\$ 943	\$ (943)	\$ -	\$ -
Subtotal passed through Berrien County Intermediate School District			\$ 226,641	\$ (7,640)	\$ -	\$ 20,281	\$ (12,641)	\$ -	\$ -
Total Department of Education			\$ 720,162	\$ 208,951	\$ -	\$ 271,426	\$ (370,115)	\$ 110,262	\$ -

See accompanying notes to Schedule of Expenditures of Federal Awards.

ST. JOSEPH PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A. #	Source Code and Project Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued or (Deferred) Revenue June 30, 2008	Adjustments
U.S. Department of Agriculture									
<i>Passed through Michigan Department of Education:</i>									
Food Distribution:									
Bonus Commodities	10.550	n/a	\$ 2,283	\$ -	\$ -	\$ 2,283	\$ (2,283)	\$ -	\$ -
Entitlement Commodities	10.550	n/a	55,378	-	-	55,378	(55,378)	-	-
Subtotal			\$ 57,661	\$ -	\$ -	\$ 57,661	\$ (57,661)	\$ -	\$ -
National School Lunch Program:									
Special Milk	10.556	1940	\$ 6,302	\$ -	\$ -	\$ 6,302	\$ (6,302)	\$ -	\$ -
Section 4	10.555	1950	\$ 55,503	\$ -	\$ -	\$ 55,503	\$ (55,503)	\$ -	\$ -
Section 11	10.555	1960	104,291	-	-	104,291	(104,291)	-	-
			\$ 159,794	\$ -	\$ -	\$ 159,794	\$ (159,794)	\$ -	\$ -
School Breakfast Program:									
Breakfast	10.553	1970	\$ 15,452	\$ -	\$ -	\$ 15,452	\$ (15,452)	\$ -	\$ -
Total Department of Agriculture			\$ 239,209	\$ -	\$ -	\$ 239,209	\$ (239,209)	\$ -	\$ -
Total Federal Assistance			\$ 959,371	\$ 208,951	\$ -	\$ 510,635	\$ (609,324)	\$ 110,262	\$ -

* These programs are included in the Child Nutrition Cluster according to the OMB Compliance Supplement.

See accompanying notes to Schedule of Expenditures of Federal Awards.

ST. JOSEPH PUBLIC SCHOOLS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008****SECTION I – SUMMARY OF AUDITORS RESULTS*****Financial Statements***

Type of auditors report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes☒ NoReportable conditions(s) identified that are
not considered to be material weakness(es)?☐ Yes☒ none reportedNoncompliance material to financial statements
noted?☐ Yes☒***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?

☐ Yes☒ NoReportable conditions(s) identified that are
not considered to be material weakness(es)?☐ Yes☒ none reportedType of auditors report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with §510(a) of OMB Circular A-133?☐ Yes☒ No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster
10.553, 10.555,
10.556 Child Nutrition Cluster
84.010 Title IDollar threshold used to distinguish between type A and
type B programs:\$300,000

Auditee qualified as low-risk auditee?

☐ Yes☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the current year.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the St. Joseph Public School's (the District) federal award programs and also presents those transactions that would be included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

NOTE 2. EXPENDITURES AND FINANCIAL REPORTS

The expenditures in this schedule of federal financial awards are considered necessary and reasonable for the proper administration of the related programs and are in agreement with the amounts reported in the financial statements and the related financial reports submitted to the Michigan State Department of Education. The financial reports that have been submitted are timely, complete, accurate, and contain information that is supported by the records from which the basic financial statements have been prepared.

NOTE 3. R7120 (GRANTS SECTION AUDITORS REPORT)

The amounts reported on the R7120 (Grants Section Auditors Report) have been utilized to prepare the Schedule of Expenditures of Federal Awards and reconciles with the schedule as follows:

	<u>Amount</u>
Current year cash receipts reported on the Schedule of Expenditures of Federal Awards	\$ 609,324
Less:	
Items passed through B.C.I.S.D.	(12,641)
Food distribution commodities	<u>(57,661)</u>
Current year receipts reported on the R7120	<u><u>\$ 539,022</u></u>

NOTE 4. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.

ST. JOSEPH PUBLIC SCHOOLS**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008****NOTE 5. SCHEDULE OF RECONCILIATION OF REVENUES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The actual Federal source revenues amounted to \$510,635 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 452,974
Entitlement commodities used	2,283
Bonus commodities used	55,378
	<u>\$ 510,635</u>

NOTE 6. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUB-RECIPIENTS

None for the current year.